

**PROVIDENCE COMMUNITY HOUSING, INC. AND SUBSIDIARIES**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON**  
**COMPLIANCE AND OTHER MATTERS IN ACCORDANCE WITH**  
**GOVERNMENT AUDITING STANDARDS AND WITH OMB CIRCULAR A-133**

**Years Ended December 31, 2011 and 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **JUN 06 2012**

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Years Ended December 31, 2011 and 2010

PROVIDENCE COMMUNITY HOUSING, INC. AND SUBSIDIARIES

Year Ended December 31, 2011

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**PACIERA, GAUTREAU & PRIEST, LLC**

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CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS**

**SIDNEY T. SPILSBURY, C.P.A.  
(1905-1985)  
KEITH T. HAMILTON, C.P.A.  
(1932-2003)  
LEROY P. LEGENDRE, C.P.A.  
(Retired)**

**INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
Providence Community Housing, Inc.  
and Subsidiaries  
New Orleans, Louisiana**

We have audited the accompanying consolidated statement of financial position of Providence Community Housing, Inc. and Subsidiaries (a non-profit organization) as of December 31, 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from Providence Community Housing, Inc. and Subsidiaries' 2010 financial statements and, in our report dated July 12, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Providence Community Housing, Inc. and Subsidiaries as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors  
Providence Community Housing, Inc.  
and Subsidiaries

In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2012, on our consideration of Providence Community Housing, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements. The combining schedules of financial position and activities are presented for purposes of additional analysis and are not required parts of the consolidated financial statements of Providence Community Housing, Inc. and Subsidiaries. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the consolidated financial statements of Providence Community Housing, Inc. and Subsidiaries. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

*Paciera, Gautreau & Priest, LLC*

May 11, 2012

**PACIERA, GAUTREAU & PRIEST, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2011  
(With Summarized Financial Information  
at December 31, 2010)

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,287,301	\$ 1,192,081
Cash restricted	178,877	246,799
Other receivable	251,028	85,066
Due from government agency	995,890	1,125,677
Pledges receivable	298,125	610,501
Prepaid expenses	64,570	8,232
Inventory - Land and buildings	5,575,927	8,526,084
Note receivable, Net	<u>0</u>	<u>264,880</u>
Total Current Assets	<u>9,651,718</u>	<u>12,059,320</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	2,732,669	2,732,669
Office furniture and equipment	<u>181,152</u>	<u>183,075</u>
	2,913,821	2,915,744
Less: Accumulated depreciation	<u>147,671</u>	<u>116,296</u>
Total Property and Equipment	<u>2,766,150</u>	<u>2,799,448</u>
<u>OTHER ASSETS</u>		
Due from affiliates, Net	1,402,305	2,124,121
Deposits	29,021	12,750
Notes receivable, Net	4,049,684	3,978,496
Custodial funds	73,763	103,763
Construction in progress, Net	2,005,444	0
Capital lease property	697,451	2,049,460
Investments in partnerships	1,092,607	413,224
Pre-development costs	<u>0</u>	<u>50,000</u>
Total Other Assets	<u>9,350,275</u>	<u>8,731,814</u>
Total Assets	<u>\$21,768,143</u>	<u>\$23,590,582</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONTINUED)  
DECEMBER 31, 2011  
(With Summarized Financial Information  
at December 31, 2010)

	<u>2011</u>	<u>2010</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and other accrued expenses	\$ 568,073	\$ 325,995
Construction payable	659,263	965,333
Accrued wages and vacation	51,542	36,916
Long-term debt due within one year	1,259,781	2,549,944
Funds held for others - Other	<u>0</u>	<u>1,948</u>
Total Current Liabilities	<u>2,538,659</u>	<u>3,880,136</u>
<u>OTHER LIABILITIES</u>		
Accounts payable - Other	397,257	347,215
Funds held for others	98,224	103,763
Other liabilities	8,115	0
Deferred rents/revenue	839,647	853,002
Lease payable	697,451	1,789,404
Long-term debt, Less current portion	<u>4,855,435</u>	<u>4,514,965</u>
Total Other Liabilities	<u>6,896,129</u>	<u>7,608,349</u>
Total Liabilities	<u>9,434,788</u>	<u>11,488,485</u>
<u>NET ASSETS</u>		
Controlling Interest:		
Unrestricted net assets	11,874,687	11,246,118
Temporarily restricted net assets	449,487	857,300
Retained earnings (deficit)	(1,430)	(1,320)
Non-controlling interest	<u>10,611</u>	<u>(1)</u>
Total Net Assets	<u>12,333,355</u>	<u>12,102,097</u>
Total Liabilities and Net Assets	<u>\$21,768,143</u>	<u>\$23,590,582</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2011  
(With Summarized Financial Information at December 31, 2010)

	Controlling Interest		Non-Controlling Interest	2011 Total	2010 Total
	Unrestricted	Restricted	Total		
<b>REVENUE, SUPPORT, GAINS AND LOSSES</b>					
Individual/business contributions					
Grants	\$ 944	\$ 0	\$ 944	\$ 944	\$ 1,562,491
Interest	12,388,640	377,624	12,766,264	12,766,264	9,194,172
Donated services	402,185	0	402,185	402,185	388,053
Development fees	20,833	0	20,833	20,833	125,000
Rents	255,058	0	255,058	255,058	170,970
Miscellaneous	46,001	0	46,001	46,001	83,129
Partnership income (loss)	3,533	0	3,533	3,533	1,101
Program service fees	0	(210)	(210)	(210)	(169)
Gain on disposal of inventory	58,870	0	58,870	58,870	314,140
Net assets released from restriction	488,179	0	488,179	488,179	284,512
	<u>785,437</u>	<u>(785,437)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenue, Support, Gains and Losses	<u>14,449,680</u>	<u>(407,813)</u>	<u>14,041,867</u>	<u>14,041,867</u>	<u>12,123,399</u>
<b>EXPENSES</b>					
Program Services:					
Real estate development	11,417,249	0	11,417,249	11,417,249	0
Home ownership promotion	55,635	0	55,635	55,635	1,797,373
Asset management	353,289	0	353,289	353,289	0
Project management	46,996	0	46,996	46,996	0
Multi-family	0	0	0	0	6,601,173
Community services	1,425,811	0	1,425,811	1,425,811	1,449,283
	<u>13,298,980</u>	<u>0</u>	<u>13,298,980</u>	<u>13,298,980</u>	<u>9,847,829</u>
Supporting Services:					
Management and General Fund-raising	490,268	0	490,268	490,268	120,423
	<u>21,251</u>	<u>0</u>	<u>21,251</u>	<u>21,251</u>	<u>32,351</u>
	<u>511,519</u>	<u>0</u>	<u>511,519</u>	<u>511,519</u>	<u>152,774</u>
Total Expenses	<u>13,810,499</u>	<u>0</u>	<u>13,810,499</u>	<u>13,810,499</u>	<u>10,000,603</u>
Increase (Decrease) in Net Assets	639,181	(407,813)	231,368	231,368	2,122,796
Income (loss) attributed to non-controlling interest	(10,612)	0	(10,612)	10,612	0
Capital contribution	0	0	0	0	0
Net Assets - Beginning of Year	11,246,118	(1,320)	12,102,098	12,102,097	9,979,301
Net Assets - End of Year	<u>\$11,874,687</u>	<u>\$ (1,430)</u>	<u>\$12,322,744</u>	<u>\$12,333,355</u>	<u>\$12,102,097</u>

See accompanying notes to consolidated financial statements.



**PROVIDENCE COMMUNITY HOUSING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2011**  
**(With Summarized Financial Information at December 31, 2010)**

	Program Services				Supporting Services			2010 Total Program and Supporting Services Expenses
	Real Estate Develop- ment	Home Ownership Promotion	Asset Manage- ment	Project Manage- ment	Community Services	Total Program Services	Manage- ment and Fund Raising Services	
Accounting services \$	0	\$	0	\$	0	\$	0	\$
Application fees	2,406	0	0	0	0	2,406	0	2,406
Bad debt expense	810,545	0	60,857	0	0	871,402	0	871,402
Conferences, conventions and meetings	10,563	495	5,093	461	9,368	25,980	9,042	35,142
Construction in progress	6,352,692	0	0	0	0	6,352,692	0	6,352,692
Valuation	22,938	60	8,120	0	158,256	189,374	41,110	236,562
Contributions	119,233	0	0	0	38,700	157,933	6,150	164,083
Depreciation	0	0	0	0	0	0	31,374	31,374
Direct assistance	99,950	0	0	0	0	99,950	0	99,950
Donated goods and services	0	0	0	0	0	0	20,833	20,833
Dues and subscriptions	214	0	1,072	164	0	1,450	1,825	3,275
Employee benefits	24,071	3,875	7,963	2,511	2,556	40,976	26,452	68,179
Equipment rental	0	0	0	0	0	0	1,962	1,962
Gas and electric	0	0	0	0	0	0	4,407	4,407
Interest expense	16,425	0	111,530	0	0	127,955	0	127,955
Inventory - Fair market value adjustment	3,621,409	0	4,349	0	0	3,625,758	0	3,625,758
IT Support	0	0	0	0	0	0	23,441	23,441
Marketing	3,615	0	0	0	0	3,615	1,626	5,241
Miscellaneous	0	0	0	0	1,107	1,107	148	1,255
Office	88	0	375	0	57,886	58,349	37,007	95,356
Outside services	19,282	0	0	0	1,089,227	1,108,509	9,963	1,118,472
Payroll taxes	20,692	3,223	9,977	2,909	2,557	39,357	11,909	52,225
Postage and shipping	547	167	0	25	30	769	2,121	2,890
Printing and publications	1,089	321	0	321	3,317	5,048	698	5,746
Program service expense	0	0	0	0	27,369	27,369	0	27,369
Property taxes	0	0	0	0	0	0	945	945
Rent	0	0	0	0	0	0	96,220	96,220
Salaries	287,280	45,974	139,765	40,191	35,030	548,240	13,242	692,670
Supplies	1,642	905	2,820	0	0	5,367	11,876	17,243
Telephone	2,568	616	1,368	414	408	5,374	17,871	23,346
Total Expenses	\$11,417,249	\$55,635	\$353,289	\$46,996	\$1,425,811	\$13,298,980	\$490,268	\$13,810,499
								\$10,000,603

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
Year Ended December 31, 2011  
(With Summarized Financial Information  
at December 31, 2010)

	<u>2011</u>	<u>2010</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Change in net assets	\$ 231,158	\$2,122,796
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for bad debt	871,401	592,088
Depreciation	31,374	30,476
Noncash donation	(3,843,074)	(4,787,499)
Inventory adjustment	249,225	861,759
Gain on disposal of inventory	(488,179)	(284,512)
Loss on sale of inventory	0	171,682
Construction in progress - Valuation allowance	6,352,692	6,018,284
Changes in operating assets and liabilities:		
Decrease in pledges receivable, prepaid expenses and other receivables	67,476	75,493
Decrease in accounts payable and accrued expenses	268,005	278,942
Decrease in due from government agency	129,787	513,753
(Decrease) in deferred rents/revenue	(13,355)	(4,321)
Decrease in partnerships	<u>210</u>	<u>169</u>
Net Cash Provided by Operating Activities	<u>3,856,720</u>	<u>5,589,110</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Decrease in amount due from affiliates	141,460	1,045,359
Purchase of property and equipment	0	(12,017)
(Increase) in deposits	(16,271)	0
(Increase) in notes receivable - Affiliate	(494,129)	(361,423)
Decrease in custodial funds	30,000	62,322
Proceeds from sale of property	0	503,284
(Increase) in construction in progress	(1,713,341)	(3,727,649)
Decrease capital lease	260,056	1,277,640
(Increase) in notes receivable	0	(250,000)
Payments on notes receivable	408,076	14,880
Proceeds from sale of property and equipment	1,923	0
Decrease in pre-development cost	<u>50,000</u>	<u>0</u>
Net Cash Provided by (Used for) Investing Activities	<u>(1,332,226)</u>	<u>(1,447,604)</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(Continued)  
Year Ended December 31, 2011  
(With Summarized Financial Information  
at December 31, 2010)

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM FINANCING</u>		
(Decrease) in loans to/from related parties	\$ 0	\$(1,833,541)
Increase (decrease) in funds held for others	42,555	(259,778)
Payments on long-term debt	(1,241,796)	(2,022,630)
Loan proceeds	0	404,362
(Decrease) in construction payable	(306,070)	(717,427)
Increase in other liabilities	<u>8,115</u>	<u>0</u>
Net Cash (Used for) Financing Activities	<u>(1,497,196)</u>	<u>(4,429,014)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,027,298	(287,508)
Cash and Cash Equivalents -		
Beginning of Year	<u>1,438,880</u>	<u>1,726,388</u>
End of Year	<u>\$2,466,178</u>	<u>\$ 1,438,880</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
Cash paid during the year for -		
Interest - Net of capitalized amounts	<u>\$13,031</u>	<u>\$18,258</u>
Income taxes	<u>\$ 0</u>	<u>\$ 0</u>
<u>Non-cash Investing and Financing Activities</u>		
Reduction of net present value of lease asset due to reduction of lease payable	<u>\$1,091,953</u>	<u>\$432,727</u>
Disposal of land for a note receivable	<u>\$ 0</u>	<u>\$ 0</u>
Acquisition of inventories - Exchange note receivable	<u>\$26,025</u>	<u>\$ 0</u>
Acquisition of investment in partnership in exchange for property	<u>\$679,493</u>	<u>\$ 0</u>
Transfer of inventory to construction in progress	<u>\$2,005,444</u>	<u>\$ 0</u>

See accompanying notes to consolidated financial statements.

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2011

A. Summary of Significant Accounting Policies

Organization

The accompanying consolidated financial statements include the accounts of Providence Community Housing, Inc. and Subsidiaries (the "Corporation"), a non-profit Louisiana corporation created April 5, 2006. The Corporation has members which are UJAMAA Community Development Corporation, Tulane-Canal Neighborhood Development Corporation, Reconcile New Orleans, Inc., Christopher Homes, Inc., Catholic Charities Archdiocese of New Orleans and Sisters of the Holy Family. The Corporation's mission is to foster healthy, diverse and vibrant communities by developing, operating and advocating affordable, mixed-income housing.

Program and Supporting Services

Following are the descriptions of the Corporation's program and supporting services:

Program Services:

Real Estate Development - This program includes all costs associated with developing affordable real estate for low income families including both rental units and homes for sale. There are approximately 30 units in the predevelopment planning stage and 72 currently under construction.

Home Ownership Promotion - This program consists of costs associated with promoting home ownership including the marketing and sale of newly developed properties, managing a buyer pipeline through a buyer pool development program and acting as a contract administrator for other agencies by providing professional services regarding their lending programs. Homebuyer services such as mortgage counseling, credit repair and homebuyer training are provided by certain unrelated entities that are under contract with the Corporation.

Asset and Property Management - This program consists of expenses related to overseeing the management of operating rental properties including individual, multi-family and senior housing as both a direct owner and general partner. There are 718 units currently in service.

Project Management - This program includes all costs and earnings associated with technical assistance provided for various programs administered by local and state offices and other developers. Services provided include monitoring and compliance with all applicable local, state and federal guidelines and reporting requirements.

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2011

Summary of Significant Accounting Policies (Cont'd)

Program and Supporting Services (Cont'd)

Program Services (Cont'd)

Community Services - This program encompasses activities focused on improving economic opportunities, health and education for the residents of the Tremé/Lafitte and Tulane/Gravier neighborhoods. This program also includes the operation of Sojourner Truth Neighborhood Center with our partner, Enterprise Community Partners, providing case management and programs for low income families.

Supporting Services:

Administrative and General - This supporting service includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Corporation's program strategy through the office of the President; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of the Corporation; and manage the financial and budgetary responsibilities of the Corporation.

Fund-raising - This supporting service provides the structure necessary to encourage and secure public and private financial support from individuals, foundations, corporations, and governmental agencies.

Basis of Accounting and Presentation

The consolidated financial statements include the accounts of Providence Community Housing, Inc. and its subsidiaries. The subsidiaries are: Providence Annunciation Inn Apartments, LLC; Providence Nazareth Inn I, LLC; Providence Nazareth Inn Apartments II, LLC; Providence Delille Inn Apartments, LLC; Providence St. John Berchmans Apartments, LLC; Providence St. Bakhita Apartments, LLC; Lafitte Redevelopment, LLC; Providence Enterprise Orleans, LLC; Providence Building 12, LLC; and Providence-Builders of Hope, LLC. These financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities. All significant inter-company balances have been eliminated in the consolidation.

The Corporation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2011

Summary of Significant Accounting Policies (Cont'd)

Basis of Accounting and Presentation (Cont'd)

The Consolidated Statement of Activities presents activities of the Corporation's operations functionally between program services, administrative and general, and fund-raising. Those expenses which cannot be functionally categorized are allocated among functions based upon management's estimate of usage applicable to conducting those functions.

The Corporation had no permanently restricted assets, liabilities or activities.

Limited Liability Companies

The Corporation owns .01% of Annunciation Inn Apartments, LLC; Delille Inn Apartment, LLC; Nazareth Inn I, LLC; Nazareth Inn II Apartments, LLC; St. John Berchmans Apartments, LLC, Building 12, LLC and St. Bakhita Apartments, LLC and is the managing member in these limited liability companies, which have investments in rental real estate.

Non-controlling Interest

The Corporation has a controlling interest in three partnerships, Providence Enterprise Orleans, LLC; Lafitte Redevelopment, LLC; and Providence-Builders of Hope, LLC. The other member in Providence Enterprise Orleans, LLC and Lafitte Redevelopment, LLC is Enterprise New Orleans NT, LLC and in Providence-Builders of Hope, LLC, is Builders of Hope, Inc. Their interests in the partnerships' income is shown as non-controlling interests. The ownership percentages for the corporation was 50% for 2011.

Construction-in-Progress and Valuation Allowance

In construction in progress there are 17 properties that will be rehabilitated for rental purposes. Seven of the properties are currently under construction.

Other costs relate to infrastructure construction occurring at the Lafitte site (see Note S). Construction-in-progress is stated at net realizable value with a valuation allowance of \$12,370,976.

Management determined that the infrastructure improvements will be dedicated to the City of New Orleans at the end of the lease term and therefore has no value on the financial position of Lafitte Redevelopment. Therefore, management recorded a valuation reserve of \$12,370,976 which represents the infrastructure cost incurred through December 31, 2011 at Lafitte Redevelopment.

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2011

Summary of Significant Accounting Policies (Cont'd)

Property and Equipment

Items capitalized as part of property and equipment are valued at cost. Donated property used by the Corporation is recorded at the fair market value on the date contributed.

The Corporation has adopted a policy of capitalizing property and equipment greater than \$1,000.

Depreciation of property and equipment is provided over the estimated lives (5 - 7 years) of the respective asset using the straight-line method of depreciation.

Income Taxes

Providence Community Housing, Inc. qualifies as a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code of 1954 as amended. The Corporation had no unrelated business income for the year ended December 31, 2011. Providence Annunciation Inn Apartments, LLC; Providence Nazareth Inn I, LLC; Providence Nazareth Inn Apartments II, LLC; Providence Delille Inn Apartments, LLC; Providence St. John Berchmans Apartments, LLC; and Providence St. Bahkita Apartments, LLC have elected to be taxed as corporate entities. Lafitte Redevelopment, LLC; Providence Enterprise Orleans, LLC; Providence Building 12, LLC; and Providence-Builders of Hope, LLC have elected to be treated as partnerships for tax purposes.

Cash Equivalents

For the purposes of the *Consolidated Statements of Cash Flows*, the Corporation considers unrestricted highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Estimates

Preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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DECEMBER 31, 2011

Summary of Significant Accounting Policies (Cont'd)

Contributed Services

Donated services are recognized as contributions in accordance with U.S. generally accepted accounting principles, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Corporation. Volunteers also provided services throughout the year, which are not recognized as contributions in the consolidated financial statements since the recognition criteria under U.S. generally accepted accounting principles were not met. The fair value of the former president's compensation was donated to the Corporation and was valued at \$20,833 for the year.

Donated Property and Equipment

Donation of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Inventory - Land and Buildings

The inventory of land and buildings consist of various lots (101) located in the Treme area of the City of New Orleans that will be used in the Lafitte Redevelopment Project. The costs associated with maintaining these properties are included in 'Inventory - Fair market value adjustment' on the Consolidated Statement of Functional Expenses along with any additional construction costs incurred above the market value.

Inventory is stated at the lower of cost or market, with valuation determined by appraisals or cost. The adjustment to market of inventory for the year ended December 31, 2011 was \$3,625,758.

In 2011, the Corporation sold homes in the amount of \$2,840,000. These homes had a cost of \$2,351,821 associated with them resulting in a gain of \$488,179.



PROVIDENCE COMMUNITY HOUSING, INC.  
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(Continued)  
DECEMBER 31, 2011

Summary of Significant Accounting Policies (Cont'd)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Fair Value Measurements

Generally accepted accounting principles require the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs from the asset or liability (Level 3).

Subsequent Events

Subsequent events have been evaluated through May 11, 2012, which is the date the consolidated financial statements were available to be issued.

B. Cash Restricted

Certain amounts of cash are restricted as follows:

Own the Crescent - Housing	\$ 19,400
Escrow deposits	4,500
Tenant security deposits	3,615
New City - Neighborhood Development	7,362
Freddie Mac Corporation - Lafitte Playground	<u>144,000</u>
	<u>\$178,877</u>

PROVIDENCE COMMUNITY HOUSING, INC.  
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(Continued)  
DECEMBER 31, 2011

C. Due From Government Agency

The following are receivables for services provided to a governmental agency:

Housing Authority of New Orleans	<u>\$995,890</u>
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D. Pledge Receivable

The pledge receivable represents promises to give for housing programs. At December 31, 2011, the amounts consist of \$298,125 which are due in one year.

Conditional promises to give as of December 31, 2011 were \$1,678,328. Because they are conditional they have not been recorded in these consolidated financial statements.

E. Due from Affiliates

The Corporation has provided assistance to various affiliated projects in the New Orleans area. Accordingly the following are the balances receivable from these affiliates as of December 31, 2011.

Building 12, LLC - Operating/Pre-development costs (Net of \$121,500 allowance)	\$ 109,762
Building 12, LLC - Developer fees	42,553
Delille Inn, LLC - Developer fees	367,176
Delille Inn, LLC - Operating/Pre-development costs	96,175
Lafitte Treme Oak Place - Operating/Pre-development costs	201,430
Nazareth Inn I, LLC - Developer fees	178,615
Nazareth Inn I, LLC - Operating/Pre-development costs	77,734
Providence-Builders of Hope, LLC	22,600
St. Bakhita Apartments, LLC - Operating/Pre-development costs	400
St. Bakhita Apartments - Developer fees	44,545
St. John Berchmans, LLC - Operating/Pre-development costs	<u>261,315</u>
	<u>\$1,402,305</u>

The amounts due from affiliates are non-interest bearing and have no repayment terms.

F. Guarantees - Related Parties

The Corporation has operating deficit guarantees for the various projects that they are the managing member. No amounts were required for the year ended December 31, 2011.

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2011

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G. Notes Receivable

Non-related Parties:

(a) Builders of Hope, Inc.	\$ 225,000
(b) Homeowners (Net of \$710,899 allowance)	0

Related Parties:

(c) Annunciation Inn Apartments, LLC - Deferred development	42,430
(d) Annunciation Inn Apartments, LLC - HOME Fund (Net of \$655,175 allowance)	0
(e) Building 12, LLC	99,843
(f) Building 12, LLC - Deferred note - Building acquisition	336,480
(g) Delille Inn Apartments, LLC - Deferred development	78,451
(h) Delille Inn Apartments, LLC - HOME Fund (Net of \$431,855 allowance)	0
(i) Nazareth Inn I, LLC - Deferred development	668,811
(j) Nazareth Inn I, LLC - Deferred operating note	401,940
(k) Nazareth Inn II Apartments, LLC - Deferred development	384,874
(l) St. Bakhita Apartments, LLC - Green note (Net of \$9,875 allowance)	50,000
(m) St. Bakhita Apartments, LLC - Rent note (Net of \$201,827 allowance)	559,869
(n) St. Bakhita Apartments, LLC - Deferred development	1,201,986
(o) St. John Berchmans Apartments, LLC - HOME Fund (Net of \$1,424,561 allowance)	0

\$4,049,684

(a) As of December 31, 2010, Builders of Hope, Inc. signed a promissory note to pay the Corporation \$250,000. Beginning May 1, 2012 the note will accrue interest at a rate of 4%.

(b) In 2011, the Corporation lent \$710,899 to homeowners to acquire properties. These notes are reserved in full.

(c) In December 2007, Annunciation Inn Apartments, LLC signed a development service agreement to pay the Corporation for developing the project. The balance on the deferred development fee is \$658 and accrues interest at 8%. This amount is due and payable on or before December 31, 2022. A payment of \$149,000 was made in 2011 and the outstanding balance as of December 31, 2011 was \$42,430. The accrued interest on this note is \$41,772.

(d) In May 2009, Annunciation Inn Apartments, LLC signed a promissory note in the amount of \$610,848. This note bears interest at the applicable federal rate (4.14% at December 31, 2011). This note is due and payable on or before December 31, 2017.

PROVIDENCE COMMUNITY HOUSING, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2011

Notes Receivable (Cont'd)

(e) In 2010, Building 12, LLC completed development, and per the development agreement agreed to pay the Corporation \$92,447. The Corporation is owed \$92,447 as a deferred development fee which will accrue interest at 8%. This loan will be paid from cash flow pursuant to the partnership's operating agreement. The accrued interest on this note is \$7,396.

(f) In December 2008, Building 12, LLC signed a promissory note to pay the Corporation \$270,000. The note accrues interest at 8%. This note is due and payable in one payment in December 2040 and has accrued interest of \$66,480.

(g) In May 2008, Delille Inn Apartments, LLC signed a development service agreement to pay the Corporation for developing the project. The deferred development fee is for \$65,940 and accrues interest at 8%. This amount is due on or before December 31, 2023. The accrued interest on this note is \$12,511.

(h) In May 2009, Delille Inn Apartments, LLC signed a promissory note in the amount of \$388,826. This note bears interest at the applicable federal rate (4.14% at December 31, 2011). This note is due and payable on or before May 31, 2018. The accrued interest on this note is \$43,029.

(i) In May 2009, Nazareth Inn I, LLC signed a development service agreement to pay the Corporation for developing the project. The deferred development fee is for \$544,365 and accrues interest at 8%. This amount is due on or before December 31, 2022. The accrued interest on this note is \$124,446.

(j) In September 2009, Nazareth Inn I, LLC signed a promissory note to pay the Corporation for plumbing improvements. This note is for \$315,000 and accrues interest at 8%. This amount is due on or before October 1, 2049. The accrued interest on this note is \$86,940.

(k) In December 2007, Nazareth Inn II Apartments, LLC signed a development service agreement to pay the Corporation for developing the project. The project was placed in service on December 22, 2008. The deferred development fee is \$496,966 and accrues interest at 8%. The balance outstanding at December 31, 2011 was \$266,611. This amount is due on or before December 31, 2022. The accrued interest on this note is \$118,263.

(l and m) In December 2007, the St. Bakhita Apartments, LLC signed two notes to pay the Corporation. The notes are for \$50,000 and \$559,869 and accrue interest at a rate of 8%. These notes are due on or before December 31, 2042. The outstanding balance at December 31, 2011 was \$821,571, the 2011 balance includes accrued interest. An allowance was recorded for the interest income in the amount of \$211,702.

PROVIDENCE COMMUNITY HOUSING, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2011

Notes Receivable (Cont'd)

(n) In 2009, St. Bakhita Apartments, LLC completed development and per the development service agreement, agreed to pay the Corporation \$1,027,383. This note accrues interest at 8%. This amount is due and payable on or before December 31, 2022. The balance on this note as of December 31, 2011 was \$967,383 and the note had accrued interest of \$234,603.

(o) In May 2009, St. John Berchmans Apartments, LLC signed a promissory note in the amount of \$1,284,626. This note bears interest at the applicable federal rate (4.14% at December 31, 2011). This note is due and payable on or before June 18, 2018. The accrued interest on this note is \$139,935.

H. Long-Term Debt

	<u>Line-of- Credit/ Mortgage</u>	<u>Forgivable Loan</u>	<u>Surplus Cash</u>
(a) Enterprise Community Partners	\$ 500,000	\$ 0	\$ 0
(b) Enterprise Community Loan Foundation	250,000	0	0
(c) First Bank and Trust	1,009,781	0	0
(d) Louisiana Housing Finance Agency	0	0	3,472,132
(e) Isaiah Fund PRI	400,000	0	0
(f) Enterprise Community Partners	191,200	0	0
(g) State of Louisiana	0	292,103	0
<b>Total</b>	<b><u>\$2,350,981</u></b>	<b><u>\$292,103</u></b>	<b><u>\$3,472,132</u></b>

(a) In June 2007, the Corporation entered into an agreement with Enterprise Community Partners in the amount of \$750,000 which will be used as a line-of-credit. This loan is non-interest bearing and is unsecured. The note is due on February 22, 2012 and has been extended for one year. The balance on this line-of-credit as of December 31, 2011 was \$500,000.

(b) On March 31, 2009, the Corporation entered into an agreement with Enterprise Community Loan Foundation in the amount of \$250,000. This loan is non-interest bearing and is due on October 1, 2012. The balance on this loan as of December 31, 2011 was \$250,000.

(c) In December 2007, the Corporation entered into an agreement with First Bank and Trust in the amount of \$1,305,000. This loan bears interest at a rate of 6% and is due and payable on September 1, 2012. This loan is collateralized by real estate. The balance on this loan as of December 31, 2011 was \$1,009,781.

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2011

Long Term Debt (Cont'd)

(d) In December 2007, the Corporation assumed a loan from UJAMAA Community Development Corporation and entered into an agreement with the Louisiana Housing Finance Agency for \$3,032,669. This amount included a principal balance of \$2,750,047 and accrued interest of \$282,622. This loan bears interest at a rate of 4% and is payable from surplus cash generated by property owned by the Corporation with the first payment from excess cash flow from Building 12, LLC with all unpaid principal and interest due April 2038. This loan is collateralized by real estate. The balance of this loan as of December 31, 2011 was \$3,472,132.

(e) On July 30, 2010, the Corporation entered into an agreement with Isaiah Fund, PRI in the amount of \$200,000 which was subsequently increased in October 2010 to \$400,000. This loan bears interest at 4% and is due on July 30, 2015. The balance on this loan as of December 31, 2011 was \$400,000.

(f) In 2011, the Corporation entered into an agreement with Enterprise Community Partners for \$200,000. This loan is unsecured, non-interest bearing, and is due and payable March 2014. The balance of this loan as of December 31, 2011 was \$191,200.

(g) In 2011, the Corporation entered into an agreement with the State of Louisiana for \$292,103. This is a forgivable debt agreement and is non-interest bearing. The balance of this loan as of December 31, 2011 was \$292,103.

The future scheduled maturities of long-term debt are as follows:

2012	\$1,259,781
2013	500,000
2014	191,200
2015	400,000
2016	0
Thereafter	<u>3,764,235</u>
	<u>\$6,115,216</u>

I. Deferred Rents/Revenue

In December 2007, the Corporation entered into a ground lease with St. Bakhita Apartments, LLC to lease land for 99 years in exchange for deferred rents. The amount of \$875,000 is being amortized over the life of the lease which began in 2008. The balance at December 31, 2011 was \$839,647.

PROVIDENCE COMMUNITY HOUSING, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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J. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31, 2011:

Housing programs	\$298,125
Lafitte playground	144,000
Program development	<u>7,362</u>
	<u>\$449,487</u>

The following temporarily restricted net assets were released from restrictions during 2011 due to the satisfaction of donor restrictions:

Housing programs	\$697,948
Program Development	<u>87,489</u>
	<u>\$785,437</u>

K. Leasing Arrangements

The Corporation leases commercial space for a two year term that ends September 30, 2013.

Minimum future lease payments for the next five years are as follows:

2012	\$106,359
2013	79,769
2014	0
2015	0
2016	<u>0</u>
	<u>\$186,128</u>

L. Related Party Transactions

The Corporation paid Catholic Charities Archdiocese of New Orleans \$939,530 for services related to programs. This is included in outside services in the accompanying Consolidated Statement of Functional Expenses.

During 2009, the Corporation contributed \$712,002 to the Sisters of the Holy Family (the "Sisters") representing 50% of the development fees on properties formerly owned by the Sisters. A payable in the amount of \$347,215 is shown in 'Accounts payable - Other' on the Consolidated Statement of Financial Position at December 31, 2011.

See Note G for related party notes receivable.

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2011

M. Concentrations

Included in \$12,766,264 in grants are \$3,951,008 received from the State of Louisiana (31%) and \$7,241,828 received from the Housing Authority of New Orleans (57%).

N. Retirement Plan

The Corporation has a Simple IRA plan covering all full-time employees that meet certain age requirements. The amount of contribution to the plan is determined annually and may vary from one to three percent of covered compensation. Eligible employees may elect to make contributions of a specific dollar amount or percentage of their salary not to exceed \$10,500 per year. The total expense related to this plan was \$-0- for the year ended December 31, 2011.

O. Capital Lease

In September 2009, Lafitte Redevelopment, LLC ("Lafitte"), 50% (as of December 31, 2011) owned by the Corporation, entered into a capital ground lease with the Housing Authority of New Orleans (HANO). The term of the lease is 65 years. This agreement called for a payment of \$1,277,640 with the remainder to be paid according to the Total Rent Payment Note. The note and related interest were paid-in-full during January 2011. The economic substance of the lease is that Lafitte is financing the acquisition of the assets through the lease, and accordingly, it is recorded on Lafitte's assets and liabilities. The lease agreement contains a bargain purchase option.

P. Investments in Partnerships

Investments in partnerships consist of the following:

Lafitte Treme - Oak Place, LLC	\$ 679,493
Nazareth Inn	414,387
Other partnerships	<u>(1,273)</u>
	<u>\$1,092,607</u>



PROVIDENCE COMMUNITY HOUSING, INC.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)  
DECEMBER 31, 2011

**Q. Fair Value**

Fair values of assets and liabilities measured on a recurring basis at December 31, 2011 are as follows:

		Fair Value Measurements at Reporting Date Using:		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>			
<b>Assets:</b>				
Notes receivable	<u>\$4,049,684</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$4,049,684</u>
<b>Liabilities:</b>				
Long-term debt	<u>\$6,115,216</u>	<u>\$ 0</u>	<u>\$6,115,216</u>	<u>\$ 0</u>

Fair value measurements at December 31, 2011 using significant unobservable inputs (Level 3):

**Assets - Notes receivable:**

Beginning Balance	\$4,243,376
Additions/Advances	1,111,811
Deductions/Payments	<u>1,305,503</u>
Ending Balance	<u>\$4,049,684</u>

**R. Custodial Funds**

The Corporation is holding funds of \$73,763 for UJAMAA.

**S. Commitments and Contingencies**

Lafitte Redevelopment signed an infrastructure agreement in the amount of \$14,233,761 with the Housing Authority of New Orleans (HANO). \$12,370,976 has been constructed and is on the Consolidated Statement of Financial Position as 'Construction-in-progress, Net', which includes an allowance of \$12,370,976. A fee of .75% is earned on the contract as construction is completed.

In the normal course of business, the Corporation is involved in disputes related to certain projects. Management believes that the resolution of these matters will not have a material effect on the Corporation's financial position or results of operations.

SUPPLEMENTARY INFORMATION

PROVIDENCE COMMUNITY HOUSING, INC. AND SUBSIDIARIES  
COMBINING SCHEDULE OF FINANCIAL POSITION  
DECEMBER 31, 2011

ASSETS								
Providence Community Housing, Inc.	General Partners Total *	Lafitte Redevelop- ment, LLC	Providence Enterprise Orleans, LLC	Providence- Builders of Hope, LLC	Total	Eliminating Reclass- ification	Total	
<b>Current Assets</b>								
Cash and cash equivalents	\$ 2,171,852	\$ 13,569	\$101,880	\$ 0	\$ 2,287,301	\$ 0	\$ 2,287,301	
Cash restricted	178,877	0	0	0	178,877	0	178,877	
Other receivable	122,639	0	128,389	0	251,028	0	251,028	
Due from government agency	0	684,435	311,455	0	995,890	0	995,890	
Pledges receivable	298,125	0	0	0	298,125	0	298,125	
Prepaid expenses	64,570	0	0	0	64,570	0	64,570	
Inventory - land and buildings	5,575,927	0	0	0	5,575,927	0	5,575,927	
Total Current Assets	8,411,990	698,004	541,724	0	9,651,718	0	9,651,718	
<b>Property and Equipment</b>								
Land	2,732,669	0	0	0	2,732,669	0	2,732,669	
Office furniture and equipment	181,152	0	0	0	181,152	0	181,152	
Less: Accumulated depreciation	2,913,821	0	0	0	2,913,821	0	2,913,821	
	147,671	0	0	0	147,671	0	147,671	
Total Property and Equipment	2,766,150	0	0	0	2,766,150	0	2,766,150	
<b>Other Assets</b>								
Due from affiliates (Net of allowance of \$121,500)	1,527,305	0	0	0	1,549,905	(147,600)	1,402,305	
Deposits	29,021	0	0	0	29,021	0	29,021	
Note receivable - Affiliate (Net of allowance of \$2,723,293)	4,049,684	0	0	0	4,049,684	0	4,049,684	
Custodial funds	73,763	0	0	0	73,763	0	73,763	
Construction in progress	2,005,444	0	0	0	2,005,444	0	2,005,444	
Capital lease property	0	697,451	0	0	697,451	0	697,451	
Investments in partnerships	1,094,037	413,114	0	0	1,507,151	(414,544)	1,092,607	
Total Other Assets	8,779,254	413,114	697,451	0	9,912,419	(562,144)	9,350,275	
Total Assets	\$19,957,394	\$413,114	\$1,395,455	\$541,724	\$22,330,287	\$(562,144)	\$21,768,143	

\* General partners represents the activities of the following:  
 Providence Annunciation Inn Apartments, LLC  
 Providence Deille Inn Apartments, LLC  
 Providence Nazareth Inn I, LLC  
 Providence Nazareth Inn Apartments II, LLC  
 Providence St. John Berchmans Apartments, LLC  
 Providence St. Bakhta Apartments, LLC  
 Providence Building 12, LLC

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
COMBINING SCHEDULE OF FINANCIAL POSITION  
(Continued)  
DECEMBER 31, 2011

	Providence Community Housing, Inc.	General Partners Total *	Lafitte Redevelop- ment, LLC	Providence Enterprise Orleans, LLC	Providence- Builders of Hope, LLC	Eliminating Reclass- ification	Total
<b>LIABILITIES AND NET ASSETS</b>							
<b>Current Liabilities</b>							
Accounts payable and other accrued expenses	\$ 167,174	\$ 0	\$ 0	\$ 400,899	\$ 0	\$ 0	\$ 568,073
Construction payable	0	0	659,263	0	0	0	659,263
Accrued wages and vacation	51,542	0	0	0	0	0	51,542
Long-term debt due within one year	1,259,781	0	0	0	0	0	1,259,781
<b>Total Current Liabilities</b>	<b>1,478,497</b>	<b>0</b>	<b>659,263</b>	<b>400,899</b>	<b>0</b>	<b>0</b>	<b>2,538,659</b>
<b>Other Liabilities</b>							
Accounts payable - Other	358,516	414,544	38,741	125,000	22,600	(562,144)	397,257
Funds held for others	98,224	0	0	0	0	0	98,224
Other liabilities	8,115	0	0	0	0	0	8,115
Deferred rents/revenue	839,647	0	0	0	0	0	839,647
Lease payable	0	0	697,451	0	0	0	697,451
Long-term debt, Less current portion	4,855,435	0	0	0	0	0	4,855,435
<b>Total Other Liabilities</b>	<b>6,159,937</b>	<b>414,544</b>	<b>736,192</b>	<b>125,000</b>	<b>22,600</b>	<b>(562,144)</b>	<b>6,896,129</b>
<b>Total Liabilities</b>	<b>7,638,434</b>	<b>414,544</b>	<b>1,395,455</b>	<b>525,899</b>	<b>22,600</b>	<b>(562,144)</b>	<b>9,434,788</b>
<b>Net Assets</b>							
Unrestricted net assets	11,869,473	0	0	5,214	0	0	11,874,687
Restricted net assets	449,487	0	0	0	0	0	449,487
Retained earnings	0	(1,430)	0	0	0	0	(1,430)
Non-controlling interest	0	0	0	10,611	0	0	10,611
<b>Total Net Assets</b>	<b>12,318,960</b>	<b>(1,430)</b>	<b>0</b>	<b>15,825</b>	<b>0</b>	<b>0</b>	<b>12,333,355</b>
<b>Total Liabilities and Net Assets</b>	<b>\$19,957,394</b>	<b>\$413,114</b>	<b>\$1,395,455</b>	<b>\$541,724</b>	<b>\$22,600</b>	<b>\$(562,144)</b>	<b>\$21,768,143</b>

\* General partners represents the activities of the following:  
 Providence Annunciation Inn Apartments, LLC  
 Providence Delille Inn Apartments, LLC  
 Providence Nazareth Inn I, LLC  
 Providence Nazareth Inn Apartments II, LLC  
 Providence St. John Berchmans Apartments, LLC  
 Providence St. Rahkita Apartments, LLC  
 Providence Building 12, LLC

**PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
COMBINING SCHEDULE OF ACTIVITIES  
DECEMBER 31, 2011**

	Providence Community Housing, Inc.	General Partners Total *	Lafitte Redevelop- ment, LLC	Providence Enterprise Orleans, LLC	Providence- Builders of Hope, LLC	Eliminating Reclass- ification	Total
<b>REVENUE, SUPPORT, GAINS AND LOSSES</b>							
Individual/business contributions	\$ 944	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 944
Grants	5,493,419	0	6,352,692	1,145,153	0	(225,000)	12,991,264
Interest	402,185	0	0	0	0	0	402,185
Donated services	20,833	0	0	0	0	0	20,833
Development fees	105,360	0	0	149,598	22,600	(22,600)	277,558
Rents	46,001	0	0	0	0	0	46,001
Miscellaneous	3,533	0	0	0	0	0	3,533
Partnership (loss)	0	(210)	0	0	0	(210)	(210)
Program services fees	58,870	0	0	0	0	0	58,870
Gain on disposal of inventory	488,179	0	0	0	0	0	488,179
Total Revenue, Support, Gains and Losses	6,619,324	(210)	6,352,692	1,294,851	22,600	(247,600)	14,289,257
<b>EXPENSES</b>							
Program Services:							
Real estate development	5,053,257	0	6,352,692	0	22,600	(11,300)	11,428,549
Home ownership promotion	55,635	0	0	0	0	0	55,635
Asset management	353,289	0	0	0	0	0	353,289
Project management	46,996	0	0	0	0	0	46,996
Community services	388,482	0	0	1,273,629	0	(236,300)	1,662,111
Supporting Services:							
Management and general	5,897,659	0	6,352,692	1,273,629	22,600	(247,600)	13,546,580
Fund-raising	490,268	0	0	0	0	0	490,268
	21,251	0	0	0	0	0	21,251
	511,519	0	0	0	0	0	511,519
Total Expenses	6,409,178	0	6,352,692	1,273,629	22,600	(247,600)	13,810,492
Increase (Decrease) in Net Assets	210,146	(210)	0	21,222	0	0	231,158
Income attributed to non-controlling interest	0	0	0	(10,612)	0	0	(10,612)
Capital contribution	0	100	0	0	0	0	100
Net Assets - Beginning of Year	12,108,814	(1,320)	0	(5,396)	0	0	12,102,098
Net Assets - End of Year	\$12,318,960	\$(1,430)	\$ 0	\$ 5,214	\$ 0	\$ 0	\$12,322,744

\* General partners represents the activities of the following:

Providence Amunition Inn Apartments, LLC  
Providence Delille Inn Apartments, LLC  
Providence Nazareth Inn I, LLC  
Providence Nazareth Inn Apartments II, LLC  
Providence St. John Berchmans Apartments, LLC  
Providence St. Bakhtia Apartments, LLC  
Providence Building 12, LLC

**PACIERA, GAUTREAU & PRIEST, LLC**

**CERTIFIED PUBLIC ACCOUNTANTS**

KIRTH M. PACIERA, C.P.A.  
RENE G. GAUTREAU, C.P.A.  
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(1905-1985)  
KEITH T. HAMILTON, C.P.A.  
(1932-2003)  
LEROY P. LEGENDRE, C.P.A.  
(Retired)

MEMBERS OF  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Providence Community Housing, Inc.  
and Subsidiaries  
New Orleans, Louisiana

We have audited the consolidated financial statements of Providence Community Housing, Inc. and Subsidiaries (a non-profit organization) (the "Corporation") as of and for the year ended December 31, 2011, and have issued our report thereon dated May 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

This report is intended solely for the information and use of management, the board of directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Paciera, Gautreau & Priest, LLC*

May 11, 2012

**PACIERA, GAUTREAU & PRIEST, LLC**

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**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Providence Community Housing, Inc.  
and Subsidiaries  
New Orleans, Louisiana

**Compliance**

We have audited Providence Community Housing, Inc. and Subsidiaries' (the "Corporation") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Corporation's major federal programs for the year ended December 31, 2011. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Internal Control Over Compliance

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Paciera, Gautreau, & Priest, LLC*

May 11, 2012

PACIERA, GAUTREAU & PRIEST, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2011

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
The Home Investment Partnership	14.239	CH0D0-10.001 H007-011	\$827,329 <u>80,000</u>
			<u>\$907,329</u>
Department of Homeland Security Passed through the State of Louisiana			
Alternative Housing Pilot Program	97.087	10.503	<u>\$3,843,074</u>

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2011

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Providence Community Housing, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2011

Section I - Summary of Auditor's Results

*Financial Statements*

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ☐ Yes ☒ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	The Home Investment Partnership
97.087	Alternative Housing Pilot Program

Dollar threshold used to distinguish between type A and type B programs: \$500,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)  
YEAR ENDED DECEMBER 31, 2011

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

PROVIDENCE COMMUNITY HOUSING, INC.  
AND SUBSIDIARIES  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2011

Department of Homeland Security Passed Through the State of Louisiana

Finding 2010-01

*Condition:* Financial statement reporting package to state authorities was late.

*Recommendation:* We recommended that the Corporation submit the required reporting package as soon as possible.

*Current Status:* The report was submitted on July 20, 2011.